



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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December 30, 2009

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **OLIVE CREST TREATMENT CENTERS, INC. CONTRACT REVIEW – A
DEPARTMENT OF CHILDREN AND FAMILY SERVICES AND MENTAL
HEALTH SERVICE PROVIDER**

We completed a program and fiscal review of Olive Crest Treatment Centers, Inc. (Olive Crest or Agency) to determine the Agency's compliance with two separate County contracts. The Agency contracts with the Department of Children and Family Services (DCFS) to operate the Wraparound Approach Services (Wraparound) Program and the Department of Mental Health (DMH) to provide mental health services.

Background

Under DCFS' Wraparound Program, Olive Crest provides individualized services to children and their families such as therapy, educational and social assistance. Under the contract with DMH, Olive Crest provides mental health services, which include interviewing program participants, assessing their mental health needs and developing and implementing a treatment plan. Olive Crest's headquarters is in Orange County and the Agency has offices in the Fourth District.

DCFS paid Olive Crest on a fee-for-service basis at \$4,184 per child per month or approximately \$1.2 million for Fiscal Year (FY) 2008-09. DMH paid Olive Crest on a cost reimbursement basis between \$1.95 and \$4.65 per minute of staff time (\$117 to \$279 per hour) or approximately \$1.5 million for FY 2008-09.

Purpose/Methodology

The purpose of our program review of the mental health services was to determine the appropriateness of the services provided based on available documentation. This included a review of the Agency's billings, participant charts and personnel and payroll records. We also interviewed a number of the Agency's staff.

The purpose of the fiscal review of DCFS' Wraparound Program and mental health services was to determine whether Olive Crest appropriately accounted for and spent Wraparound and DMH funds providing the services outlined in their County contracts. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

DMH Program Review

Olive Crest staff assigned to the DMH Program possessed the required qualifications. However, Olive Crest did not always comply with the County contract requirements. Specifically, Olive Crest:

- Did not maintain documentation to support four (21%) of the 19 service days billed for the Day Rehabilitation Program totaling \$506.
- Did not complete some elements of the participants' Assessments, Progress Notes and Weekly Summaries in accordance with the County contract.
- Did not meet the staff to client ratio requirements for three (60%) of the five service days sampled for the Day Rehabilitation Program.

DMH and DCFS Wraparound Programs Fiscal Review

Olive Crest maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner. However, Olive Crest charged the Wraparound Program \$31,190 and DMH \$48,750 in questioned costs. Specifically, Olive Crest:

Wraparound Program

- Allocated \$2,880 to the Wraparound Program for consultant services without adequate documentation to support their allocation methodology. Agency management indicated that the allocation was based on estimates not actual services provided to each program.

- Allocated 100% of the supplies and equipment totaling \$28,310 to the Wraparound Program even though other programs used the supplies and equipment.

DMH Program

- Allocated \$25,920 to the DMH Program for consultant services without adequate documentation to support their allocation methodology. Agency management indicated that the allocation was based on estimates not actual services provided to each program.
- Charged DMH \$11,454 during FY 2007-08 and \$10,011 during FY 2008-09 in error for non-DMH related consultant fees.
- Charged DMH for 100% of one employee's payroll costs who worked on multiple programs (including non-County programs) resulting in an overbilling of \$1,365.

We have attached the details of our review along with recommendations for corrective action.

Review of Report

We discussed the results of our review with Olive Crest, DMH and DCFS on October 22, 2009. In the attached response, the Agency concurred with our recommendations and agreed to repay \$506. In addition, Olive Crest agreed to reduce their DMH and Wraparound Program expenditures by the \$79,940 (\$31,190 + \$48,750) in questioned costs and repay excess amounts received.

We thank Olive Crest management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Patricia S. Ploehn, Director, Department of Children and Family Services
Ted Myers, Chief Deputy Director, Department of Children and Family Services
Susan Kerr, Senior Deputy Director, Department of Children and Family Services
Darrel Anderson, Chairman, Board of Directors, Olive Crest
Donald A. Verleur II, Chief Executive Officer, Olive Crest
Public Information Office
Audit Committee

**DEPARTMENT OF MENTAL HEALTH AND WRAPAROUND PROGRAMS
OLIVE CREST TREATMENT CENTERS, INC.
FISCAL YEAR 2008-09**

BILLED SERVICES

Objective

Determine whether Olive Crest Treatment Centers, Inc. (Olive Crest or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

Verification

We judgmentally selected 25 billings totaling 2,308 minutes from 39,371 service minutes provided and five full-day billings from 147 service days of approved Medi-Cal billings for January and February 2009. We reviewed the Assessments, Client Care Plans, Progress Notes and Weekly Summaries maintained in the clients' charts for the selected billings. The 2,308 minutes and five days represent services provided to 15 program participants. In addition, we reconciled an additional 19 service days billed for the Day Rehabilitation Program to the client sign-in sheets.

Results

Olive Crest did not maintain documentation to support four (21%) of the 19 service days billed for the Day Rehabilitation Program. The Agency utilized client sign-in sheets to document each client's presence. However, the sign-in sheets did not contain the clients' signatures for the four service days billed. The amount over billed totaled \$506.

The Agency also did not always complete some elements of the Assessments, Progress Notes and Weekly Summaries in accordance with the County contract requirements.

Assessments

Olive Crest did not adequately describe the symptoms and behaviors exhibited by the client to support the Agency's clinical diagnosis for five (33%) of the 15 clients sampled on their Assessments. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. The County contract requires Agencies to follow the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients.

Progress Notes and Weekly Summaries

The Agency did not complete three (12%) of the 25 Progress Notes and two (40%) of the five Weekly Summaries in accordance with the County contract. Specifically:

- Three Progress Notes for the Medication Support Services did not indicate that the clients were questioned about side effects, response to medication and medication compliance.
- Two Weekly Summaries documented that clients were present for the full duration of the program. However, the corresponding client sign-in sheets did not contain the client's signatures. Due to the discrepancies between the chart documentation and client sign-in sheets, we were unable to determine whether the clients were present at least 50% of the program as required.

Recommendations

Olive Crest management:

1. **Repay DMH \$506.**
2. **Ensure that service days billed are supported.**
3. **Ensure that Assessments, Progress Notes and Weekly Summaries are completed in accordance with the County contract.**

STAFFING LEVELS

Objective

Determine whether Olive Crest's ratios for Qualified Mental Health Professional (QMHP) staff to the total number of clients in its Day Rehabilitation Program do not exceed the 1:10 ratio required by the County contract.

Verification

We selected five days that Olive Crest billed for the Day Rehabilitation Program during January and February 2009 and reviewed the clients and staff sign-in sheets and staff timecards.

Results

Olive Crest did not meet the staff ratio requirements for three (60%) of the five days sampled. Specifically, staff assigned to the Day Rehabilitation Program on the three days were not QMHP staff.

Recommendation

4. **Olive Crest management ensure that the staff-to-client ratios for the Day Rehabilitation Program are in compliance with the County contract.**

STAFFING QUALIFICATIONS

Objective

Determine whether Olive Crest's treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 16 of the 42 Olive Crest treatment staff who provided services to DMH clients during January and February 2009.

Results

Each employee in our sample possessed the qualifications required to provide the services billed.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash and other liquid assets.

Verification

We interviewed Olive Crest management and reviewed the Agency's financial records. We also reviewed three bank reconciliations for March 2009.

Results

Olive Crest maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether Olive Crest's Cost Allocation Plan is prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan, interviewed management and reviewed their financial records.

Results

Olive Crest's Cost Allocation Plan was prepared in compliance with the County contract. However, Olive Crest allocated:

- \$25,920 to DMH and \$2,880 to the Wraparound Program for consultant services without adequate documentation to support their allocation methodology. Agency management indicated that the allocation was based on estimates not actual services provided to each program.
- \$28,310 to the Wraparound Program for 100% of supplies and equipment even though non-Wraparound programs used the supplies and equipment.

Recommendations

Olive Crest management reallocate:

5. Shared costs totaling \$25,920 based on the Cost Allocation Plan and revise the DMH Fiscal Year (FY) 2008-09 Cost Report.
6. \$31,190 (\$28,310 + \$2,880) to the correct programs and repay DCFS for the over allocated amount.
7. Ensure that shared costs are appropriately allocated among all benefited programs in accordance with the Cost Allocation Plan.

EXPENDITURES**Objective**

Determine whether the DMH and Wraparound Program related expenditures are allowable under their County contracts, properly documented and accurately billed.

Verification

We interviewed Agency personnel and reviewed financial records and documentation to support 19 Wraparound expenditures, totaling \$47,086, and 19 DMH expenditures, totaling \$78,087 between December 2007 and March 2009.

Results

Generally, Olive Crest's expenditures for the Wraparound Program were allowable, properly documented and accurately billed. However, Olive Crest overcharged DMH \$11,454 during FY 2007-08 and \$10,011 during FY 2008-09 for non-DMH related consultant fees due to a billing error.

Recommendations

8. **Revise the FY 2007-08 Cost Report to reduce the reported program expenditures by \$11,454 and repay DMH for any excess amount received.**
9. **Revise the FY 2008-09 Cost Report to reduce the reported program expenditures by \$10,011 and repay DMH for any excess amount received.**
10. **Ensure that only allowable program expenditures are billed to the DMH Program.**

FIXED ASSETS**Objective**

Determine whether fixed asset depreciation costs charged to the DMH and Wraparound Programs were allowable under the County contract, properly documented and accurately billed.

We did not perform test work in this section as the Agency did not charge fixed asset depreciation costs to the Wraparound and DMH Programs.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the DMH and Wraparound Programs. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures for 29 employees totaling \$36,312 to the payroll records and time reports for the pay period ending March 15, 2009. We also interviewed nine employees and reviewed personnel files for the 29 employees.

Results

Generally, Olive Crest's payroll expenditures were appropriately charged to the DMH and Wraparound Programs. However, Olive Crest overcharged DMH \$1,365 for the payroll expenditures of one employee who worked on multiple programs, including non-County programs. In addition, four (14%) of the 29 timecards were not signed by either the employee or supervisor. A similar finding was also noted in the prior monitoring report.

Recommendations**Olive Crest management:**

11. **Revise the FY 2008-09 Cost Report to reduce the reported program expenditures by \$1,365 and repay DMH for any excess amount received.**
12. **Bill payroll expenditures based on actual hours worked each day by program.**
13. **Ensure that employees' timecards are signed by both the employee and supervisor.**

COST REPORT**Objective**

Determine whether Olive Crest's FY 2007-08 DMH Cost Report reconciled to the Agency's financial records.

Verification

We traced the Agency's FY 2007-08 DMH Cost Report to the Agency's general ledger.

Results

The Agency's total expenditures listed on their Cost Report reconciled to the Agency's accounting records.

Recommendation

None.

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2006-07 Wraparound fiscal monitoring review were implemented. The report was issued on August 24, 2007.

Results

The prior monitoring report contained 11 recommendations. Olive Crest implemented nine recommendations and did not implement two recommendations. The outstanding findings are related to recommendations 13 and 14 contained in the report.

Recommendation

- 14. Olive Crest management implement the two outstanding recommendations from prior monitoring reports.**



1.800.550.CHILD (2445)
www.olivecrest.org

November 10, 2009

Wendy L. Watanabe
Auditor-Controller
County of Los Angeles
500 West Temple Street, Room 525
Los Angeles, CA 90012-3873

Reference: Contract Compliance Review – Wraparound and DMH

Thank you for the opportunity to review the draft audit report. In general, we agree with the recommendations and have the following comments concerning each recommendation:

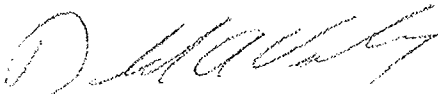
1. We will repay DMH \$506 upon request.
2. We have implemented a process which the QMHP will ensure that all clients sign the attendance sheet each day they are present for the Day Rehabilitation Program.
3. The Day Rehabilitation Program and the Outpatient Mental Health Program have initiated a monthly audit review schedule of the client charts to ensure that all Assessments, Progress Notes and Weekly Summaries are completed in accordance with the County contract.
4. We have rearranged the Day Rehabilitation Program staff schedule to ensure that the staff-to-client ratio requirements are met.
5. We will reallocate the shared costs of \$25,920 and report the revised DMH total expenditures on our FY 2008-09 Cost Report. At this time, the Cost Report has not yet been completed, pending forms and instruction from the LADMH office.

We have implemented a process to document the billable mental health services provided by consultants. Any non-billable time will be charged to a department outside of Mental Health.

6. We will reallocate the \$31,190 based on appropriate cost allocation method.
7. We will ensure that shared costs are allocated appropriately.
8. We will revise the FY 2007-08 Cost Report and repay DMH the excess amount.

9. We have already reclassified the consultant fees of \$10,011 for FY 2008-09 and these costs will not be included in our FY 2008-09 Cost Report
10. We will continue to review DMH program costs and ensure only allowable expenditures are billed to DMH.
11. We will report revised salary expenditures (reduced by \$1,365) on the FY 2008-09 Cost Reports.
12. We will ensure that employees' timecards reflect actual hours worked in each program and payroll expenditures are billed appropriately to the programs.
13. We will continue to review employees' timecards and will ensure that they are signed by both the employee and supervisor.
14. We will comply with the outstanding recommendation from FY 2006-07 monitoring report.

Sincerely,



Donald A. Verleur II
CEO